

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1223 - SB 1362**

March 24, 2017

**SUMMARY OF BILL:** Prohibits certain payment in lieu of ad valorem tax (PILOT) agreements entered into by certain industrial development corporations (IDCs) from exceeding five years unless certain conditions are met.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – Potential increases to local government revenue; the extent and timing of any such revenue cannot be determined due to multiple unknown factors.**

Assumptions:

- Pursuant to Tenn. Code Ann. § 7-53-305(h), an IDC organized solely by a municipality which does not impose a property tax may only enter into a PILOT agreement or lease if the county has approved the agreement or the IDC agrees to pay the county an amount equal to the tax that would have been paid without the agreement.
- The proposed language would prohibit such agreements from exceeding a period of five years.
- The proposed language would authorize IDCs organized by a municipality to enter PILOT agreements exceeding five years if the county approved the agreement and the IDC or municipality agreed to pay the county an amount equal to the tax that would have been paid without the agreement after the initial five years.
- It is assumed that any PILOT agreement would be for an amount less than the property taxes which would have otherwise been collected on the property.
- The fiscal impact of this legislation to local government is dependent upon several unknown factors, such as how many PILOT agreements have been created which are in excess of five years, and how many of such PILOT agreements were made by municipalities which currently do not impose a property tax relative those which do impose a property tax.
- It is assumed the provisions of this legislation will result in an increase in property taxes collected by local governments either from fewer or shortened PILOT agreements or from payment of property taxes owed to counties paid by municipalities.

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- The extent of any increase in municipal expenditures for payment of property taxes to a county will result in a net impact to local government that is considered not significant; however, to the extent a PILOT agreement is shortened or not executed, property taxes will be paid to local government, the extent and timing of which cannot reasonably be determined.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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